

ROUTING

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NATIONAL INTELLIGENCE DAILY CABLE

Saturday 4 November 1978

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NATIONAL SECURITY INFORMATION
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State Dept. review completed

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National Intelligence Daily Cable for Saturday, 4 November 1978.

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The NID Cable is for the purpose of informing senior US officials.

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VIETNAM-USSR: Friendship Treaty

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[] //The treaty of friendship and cooperation signed yesterday by Vietnam and the USSR is sure to complicate both Vietnamese and Soviet relations with non-Communist Southeast Asia, which was already suspicious of Hanoi's close relations with Moscow. The Chinese have warned loudly and often that Vietnam is a Soviet puppet--"the Cuba of the East"--and Vietnamese Premier Pham Van Dong had little success assuaging this fear during his five-nation swing through Southeast Asia this fall. Nevertheless, the Vietnamese have obviously reached the conclusion that their deteriorating relationship with China and the need for aid must take priority.//

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[] //While the treaty does not require Soviet military intervention in case of an attack on Vietnam, Hanoi undoubtedly entered into the treaty in the hopes that it will give China pause before taking strong measures against Vietnam in the future. Hanoi is concerned that its coming offensive against Cambodia would provoke the Chinese to escalate the pressure on Vietnam's northern border, where numerous incidents have already occurred.//

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[] //The treaty probably does not come as a surprise to Peking, which has become increasingly displeased with the closer ties between Hanoi and Moscow since the end of the Indo-China war in 1975. Nonetheless, Chinese concern about Vietnamese intentions will be heightened by the treaty, which Peking will interpret as Soviet endorsement of any future Vietnamese moves against Cambodia. Peking almost certainly will continue to increase its own support to Phnom Penh, primarily with more material assistance.//

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[] //The treaty heralds increased Soviet military and economic assistance to Vietnam. A number of other agreements were signed, including one to complete the bridge across the Red River in Hanoi; the Chinese cut off assistance to this project last summer.//

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[] //There are indications that the Soviets have been pressing Vietnam to conclude the treaty for some time. When President Podgorny visited Hanoi in October 1971, the two sides signed a joint statement that was obviously intended to mollify Moscow for Vietnam's reluctance to conclude a treaty.//

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[redacted] //The Soviets will see the treaty as a major victory in their longstanding competition with China for influence in Vietnam, and will exploit the treaty as leverage in trying to obtain naval port visits and access to Vietnamese air and port facilities to service the Indian Ocean Squadron. [redacted]

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CHINA - SOUTHEAST ASIA: Teng

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[redacted] //Chinese Vice Premier Teng Hsiao-ping arrives in Bangkok today on a ten-day tour that will take him to Kuala Lumpur and Singapore. Teng's trip comes on the heels of visits to the region by high-level officials of Vietnam, Cambodia, and the USSR. The Vice Premier will present China's case for an independent Cambodia and against the expansion of Vietnamese and Soviet influence in Southeast Asia. He will also attempt to offset longstanding concerns about China's connections to ethnic Chinese and Communist parties in the region.//

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[redacted] //Teng's talks in Thailand will focus largely on international issues. Thai and Chinese leaders share an interest in maintaining Cambodia as a buffer against Vietnamese influence. [redacted]

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[redacted] Teng probably will link China's troubles with Vietnam to what the Chinese describe as Soviet meddling in the region. In this regard he will be sure to emphasize yesterday's signing of the Soviet-Vietnamese treaty of friendship and cooperation. The Thai reportedly will inform Teng they have recently rejected Soviet requests for a naval port call and a cultural agreement.

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[redacted] Sino-Thai bilateral agreements on trade and cooperation in science and technology will be finalized during Teng's trip. Agreement in principle was reached during Thai Prime Minister Kriangsak's visit to China earlier this year.

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[redacted] In Malaysia and Singapore, Teng is likely to reiterate anti-Soviet themes and voice China's support for the regional concept of a "zone of peace, friendship, and neutrality."

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He will face rough sledding, however, on the intractable issues of continued Chinese low-level support for insurgent Communist parties and China's connection to ethnic Chinese in Southeast Asia.

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[REDACTED] //Vietnamese Premier Pham Van Dong, on a recent tour of the region, promised not to support insurgent Communist parties, and the Malaysians are reportedly prepared to use this promise to extract a similar concession from the Chinese. Teng used a recent press interview to restate Peking's basic interest in stability and good state-to-state relations in the region and dismissed Dong's promise as a deception.//

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[REDACTED] //The Chinese have long argued that the insurgencies are essentially an internal problem, but they have been unable to renounce their party ties to the insurgents. Teng may try to escape this dilemma by suggesting--as he has in the past--that if China ends its support, the rebels might become a greater threat to stability by turning to the Vietnamese or the Soviets for assistance. The Chinese Vice Premier almost certainly will try to keep discussions private and avoid statements to the press on this sensitive subject.//

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[REDACTED] //In Singapore, discussions will focus on economic cooperation, technical exchanges, and trade. China and Singapore do not have formal diplomatic relations, but senior Singapore officials have visited China in the past, and China maintains a semiofficial presence in its Bank of China office. Singapore's leaders are particularly sensitive about the issue of China's links to the island's ethnic Chinese, and they will probably seek assurances about Peking's policy toward them.//

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[REDACTED] //In the past the ethnic Chinese have been used by Peking to support China's policies in the region and have been seen as a threat by their host governments. Recent Chinese efforts to increase ties to the ethnic Chinese have rekindled Southeast Asian fears.//

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[REDACTED] Teng likely will attempt to allay those concerns while presenting China's case that the ethnic Chinese in Southeast Asia have a role to play in China's own economic modernization--through their remittance and scientific and technical know-how--as well as through their cultural ties to the Chinese homeland.

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[REDACTED]

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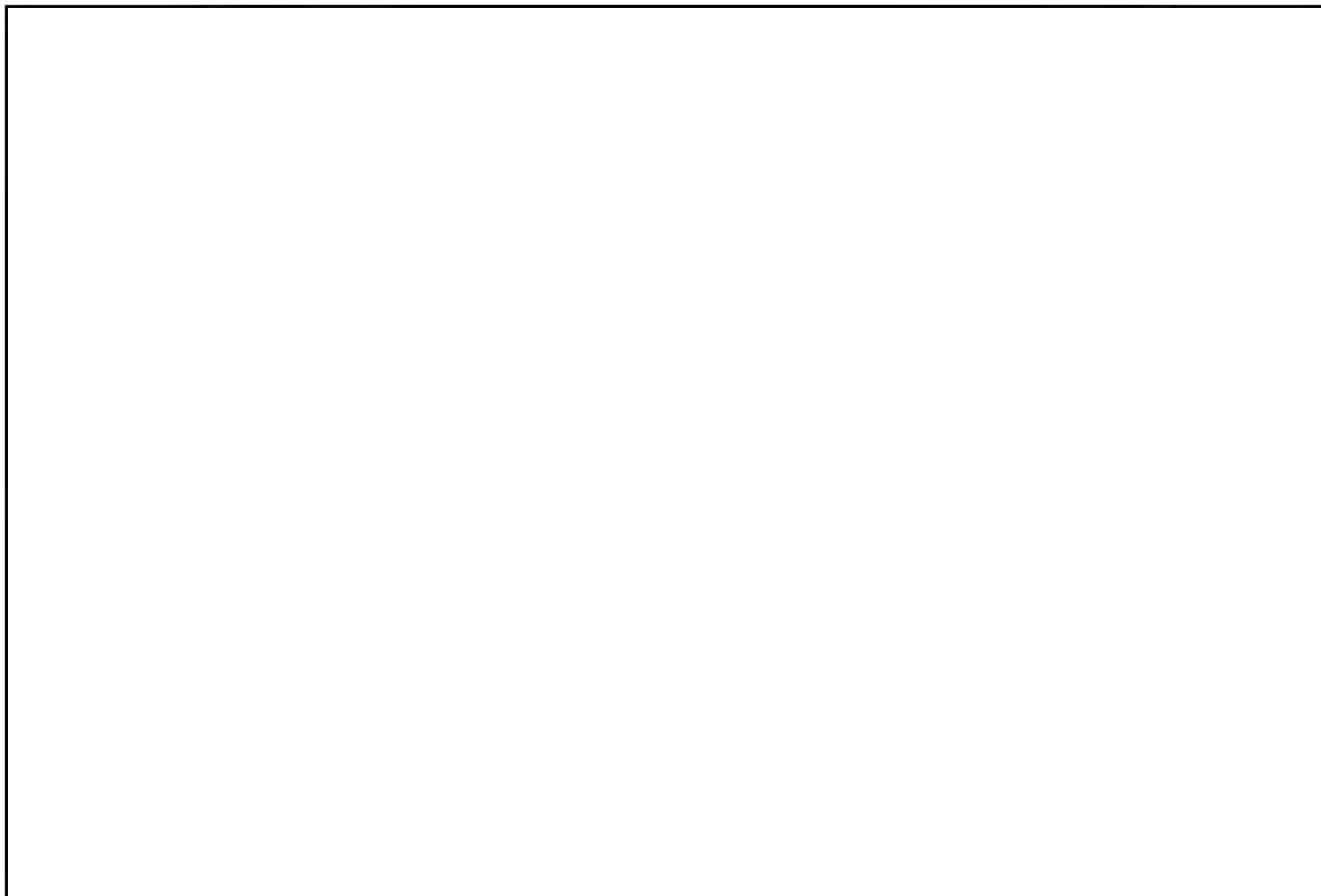
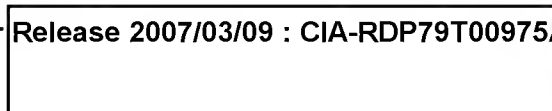
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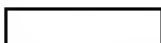
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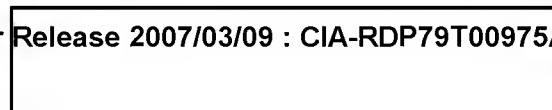
 //Moscow took advantage of the bullish gold market in September to sell 59 tons of gold, worth about \$400 million. Soviet sales for the first 9 months of 1978 totaled 334 tons, valued at an estimated \$2.1 billion. Sales during October, when the price of gold continued to rise, were probably also between 50 and 60 tons.//

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 Should the recent sharp drop in gold prices usher in a period of unsettled market conditions, Moscow is likely to cut back sales drastically. Soviet gold traders typically restrain sales when the market is depressed.

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[] Even with minimal gold sales in November and December and despite rising interest payments on Moscow's debt to the West and what we believe will be a \$4 billion hard currency trade deficit, Moscow will be in a favorable hard currency position. Record gold sales to date, together with hard currency earnings from tourism, services, and the like should keep the Soviet current account nearly in balance. []

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Bangladesh

[] Two high-level Bangladeshi officials informed the US Ambassador in Dacca that the parliamentary election scheduled for December will be postponed until 27 or 30 January. The decision--which will be announced on 1 December--appears unlikely to bring any strong adverse reaction.

[] President Ziaur Rahman's party and the opposition are in disarray and need additional time to organize. More time is also needed for the delineation of constituencies, the nomination of candidates, and the preparation of ballots.

[] Zia is likely to respond to critics of his decision by saying that the election process is under way. Additionally, the election will now be held during the postharvest period, when South Asian voting has traditionally been held. []

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